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STRATEGIC ENTREPRENEURSHIP AND PERFORMANCE OF SMALL AND MEDIUM ENTREPRISES IN SELECTED SECTORS OF HUYE DISTRICT

A thesis submitted to the faculty of Economics and Management in partial fulfillment of the requirements for the award of the degree of Master of Business Administration by the University of Rwanda.

By:

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DECLARATION

I, the undersigned, declare that this thesis entitled "Strategic Entrepreneurship and Performance of Small and Medium Enterprises in selected Sectors of Huye District" is my original work achieved through my personal reading, scientific research method, and critical reflection with the guidance and support of the research supervisor. It is submitted in partial fulfillment of the requirements for the Degree of Master of Business Administration in University of Rwanda, College of Business and Economics. It has never been submitted to any other College or University for academic credit. All resources have been cited in full and acknowledged.

Declared by

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This thesis has been submitted to the University of Rwanda, College of Business and Economics, with my approval as the University Supervisor.

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DEDICATION

To my beloved parents and brothers who rest in eternal peace

ACKNOWLEDGEMENT

ABSTRACT

This study was to establish the relationship between strategic entrepreneurship, entrepreneurial orientation and strategic orientation and performance in selected SMEs in Huye district. The study was guided by the following research objectives (i) explore the relationship between entrepreneurial orientation and SMEs performance (ii) analyze the relationship between strategic entrepreneurship and SMEs performance and (iii) analyze the relationship between strategic entrepreneurship and performance of SMEs.

The study used descriptive survey design particularly descriptive correlational design adopting quantitative approach. The researcher used a sample of 140 respondents selected through simple random sampling. Methods for data collection were questionnaires. Frequency table and percentage distributions, Pearson's correlation coefficient were used to present and statistically analyze data collected. Findings revealed that there was positive significant relationship between all the study independent variables of entrepreneurial orientation, strategic orientation, strategic entrepreneurship and dependent variable of performance of SMEs which included sales growth, profitability and net profit. The study showed that there was satisfactory performance of SMEs in Huye district. The researcher concluded that entrepreneurial orientation, strategic orientation and strategic entrepreneurship had positive relationship with performance of SMEs.

The research recommended that for SMEs managers or owners to remain competitive, they should recognize, pursue and exploit entrepreneurial opportunities in an effort to grow and perform better, managers should get formal entrepreneurial training to enhance performance and should create a culture that encourages innovation, risk taking and pro-activeness as well as in their operations. The areas for further researches have been suggested at the end of the study.

TABLE OF CONTENTS

LIST OF TABLES

ABBREVIATIONS

CVI: Content Validity Index

EAC: East African Community

ICT: Information Communication Technology

MINICOM: Ministry of Trade and Commerce

NUR: National University of Rwanda

PSF: Private Sector Federation

R&D: Research and Development

ROI: Return on Investment

SMEs: Small and Medium Enterprises

SPSS: Statistical Package for Social Sciences

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY PROBLEM

The growing global concern about the persistent stagnation and the decline in economic growth , accompanied by chronic unemployment , poverty and its resultant social problems had led to increased search for strategies which could stimulate economic activity (Kibera 2009). One strategy that has been growing in importance is entrepreneurship development. Both developed and developing countries have therefore focused on entrepreneurship development especially in small and medium enterprises (SMEs).

Small and medium enterprises development has been found to have a higher potential for job generation because of a lower cost per job created. It has constituted the backbone of some economics and has remained the vital link between various levels of economics activities (Hisrich and Peters, 2002). However, to be competitive, they must practice strategic entrepreneurship. Strategic entrepreneurship is an integration of entrepreneurial perspectives to design and implement entrepreneurial strategies that create wealth (Hitt et al., 2001). Strategic entrepreneurship results in superior firm performance (Ireland et al., 2003).

Strategic Entrepreneurship which plays an important role in a highly turbulent environment, integrates strategic functions with the entrepreneurial actions. The goal of strategic entrepreneurship is to continuously create competitive advantages that lead to maximum wealth creation. Ireland et al (2003) developed a process model of strategic entrepreneurship that describes how beginning with an entrepreneurial mindset, an entrepreneurial culture, and entrepreneurial leadership, a firm can manage resources more strategically, apply creativity, and develop innovation, which can in turn lead to competitive advantage and wealth creation (Ireland et al.,2001). In a highly competitive environment, organizations need to create sustainable positions in the market to enable them grow over time. In an effort to grow the private sector and make it competitive, government has gone ahead to liberalize the sector. The privatization sector has seen the growth of numerous enterprises though prior to that, most of these enterprises were owned by the government. This has created opportunities that were sought by entrepreneurs resulting into a boom of SMEs in the country.

According to a recent report by the Private Sector Federation (PSF, 2008), estimated that there are over 72,000 SMEs operating in Rwanda, while only 25,000 of them are formally registered. This increasing number of SMEs has led to cut throat competition. Some of the SMEs have expended while others have grown slowly, split off or closed operations due to different orientation of the entrepreneurs.

Different orientation of the entrepreneurs influences performance of SMEs. For good level of performance, SMEs must practice an interaction of entrepreneurial orientation and strategic orientation. Entrepreneurial orientation is the individuals' propensity to engage in innovative, proactive and risk taking behavior to start a new venture (Lumpkin et al., 1996). Innovation is a characteristic for the success of any organization in today's competitive business environment. It is possible that the SMEs that have been innovative, proactive, competitively aggressive and are risk taking have expanded while those that are not, have expanded slowly, split or closed.

However, strategic orientation on the other hand is an extra dimension on top of entrepreneurial orientation for those that start enterprises or business. Strategic orientations whose key areas in this study are strategic leadership style, networking and resource strategy are keys in the performance of organizations including SMEs. Strategic leadership in SMEs provides a long-term strategic vision while networking may lead to social capital. Social capital can be a useful resource both by enhancing internal organizational trust through the bonding of actors, as well as by bridging external networks in order to provide resources which in turn enhance the internal exploitation of resources (Adler and Kwon, 2002). The critical resources to create and operate in SMEs are usually obtained through network ties. Strategic networks help SMEs develop resources and capabilities that are difficult to imitate, leading to a competitive advantage. Market share, profitability and net profit are critical indicators of performance of SMEs in this study. The difference in performance of these SMEs could be explained by entrepreneurial and strategic behavior of the managers of the firms and hence strategic entrepreneurship.

While it is clear that entrepreneurial orientation and strategic orientation are acknowledged that they enhance performance, there is a gap in the literature regarding how an interaction of entrepreneurial orientation and strategic orientation therefore strategic entrepreneurship will enhance performance. My contribution is an interaction of both the strategic and

entrepreneurship literature by proposing that the strategic entrepreneurship is important in understanding performance of SMEs.

1.2 STATEMENT OF THE PROBLEM

The SME sector, including formal and informal businesses, comprises 98% of the businesses in Rwanda and 41% of all private sector employment (SME Policy, 2010). A survey on capacity needs of the Small and Medium Enterprises (SMEs) among 21 districts, including Huye district, of Rwanda carried out by Private Sector Federation (PSF) in 2008, indicated that about 80 percent of businesses lack entrepreneurship skills and practice such as entrepreneurial and strategic orientation. And this is greatly affecting their growth not only on the local market but also in the region. This shows that they are not taking advantage of potential business opportunities and being innovative into their business activities at all, almost SMEs duplicate business ideas until their the market is saturated with copycat enterprises.

Looking at all these inefficiencies of SMEs in Huye district, and if no effort is made by improving on their entrepreneurship skills and practice, this situation is likely to weaken their competitiveness in the business environment. In addition, under the unstructured environment in which SMEs operate and their inability to be open to new or innovative ideas presents a major challenge to the development of the SME sector. The 2008 PSF Capacity Needs Assessment of SMEs, which surveyed 2100 SMEs operating in Rwanda, indicated that the need for a greater entrepreneurial culture is a major priority for SMEs in terms of building human capacity and supporting potential growth. This was enforced by key stakeholder interviews. Stakeholders expressed the need to develop an entrepreneurial mindset in Rwandan educational institutions as well as the need to support existing entrepreneurs (Bosire, K.J, and Nzaramba K, 2013).

Despite the acknowledgment that SMEs are an important source of economic growth in Huye district and in Rwanda at large, the influence of entrepreneurial orientation and strategic orientation on their performance has received very little attention. Accordingly, this study investigates the relationship between strategic orientation, entrepreneurship orientation and performance of SMEs in Huye district of Rwanda.

1.3 PURPOSE OF THE STUDY

The purpose of this study was to establish the relationship between strategic entrepreneurship and the performance of small and medium enterprises in Huye district.

1.4 OBJECTIVES OF THE STUDY

The following were the objectives of this study:

1. To explore the relationship between the entrepreneurial orientation and performance of SMEs.

2. To establish the relationship between the strategic orientation and SMEs performance.

3. To analyze the relationship between the strategic entrepreneurship and SMEs performance.

1.5 RESEARCH HYPOTHESES

This study was guided by the following three hypotheses:

1. There is no relationship between the entrepreneurial orientation and performance of SMEs

2. There is no relationship between strategic orientation and performance of SMEs

3. There is no relationship between strategic entrepreneurship and performance of SMEs

1.6 SCOPE OF THE STUDY

1.6.1 Geographical scope

In relation to geographical scope, this study was conducted in Huye district, Southern Province of Rwanda. The district has been chosen because it has the largest number of small and medium enterprises and therefore can provide a better representation of the study population.

1.6.2 Time scope

As for time scope, the study involved respondents for a period of three years from 2010. This time scope was chosen on the assertion that the respondents who had been in small and medium enterprises for three years would have had an opportunity to carry out strategic entrepreneurship. In addition, those that had stayed for this time would have practiced entrepreneurial orientation and strategic orientation independently, and then the interaction of both entrepreneurial orientation and strategic orientation and performance small and medium enterprises can be seen.

1.6.3. Content scope

The study focused on strategic entrepreneurship and performance of small and medium enterprises. Strategic entrepreneurship was delimited to strategic orientation and entrepreneurial orientation and performance was limited to financial performance. As for sample scope, the study targeted the small and medium enterprises owner-managers.

1.7 .SIGNIFICANCE OF THE STUDY

Organizationally, the study served as a reference material for SMEs in Rwanda in general and Huye district in particular and other stakeholders in business. It also raised awareness and understanding of the role of strategic entrepreneurship practices in small and medium enterprises. The study therefore benefited small and medium enterprises owners in an attempt to promote business with an aim of creating job (Hanga Umurimo).

The study attempted to provide clarity on the relationship between the implementation of strategic entrepreneurship and firm performance. It also highlighted aspect of strategic orientation and entrepreneurship that can assist SMEs in improving performance, creating wealth and achieving a sustainable competitive advantage. The study has made a theoretical contribution to the understanding the management of the SMEs especially in Rwanda and minimize challenges that face Rwandan SMEs sector. Development partners in the form of donors and non-governmental organizations have found this study useful in planning and delivering assistance to this sector which is the engine of economic growth and employment in country developing economies like Rwanda.

The study also benefited institutions of higher learning especially those that train in business administration and enhance further research in the area of strategic entrepreneurship. It has generated information for government, and policy makers on problems of small and medium enterprises performance and their contribution to the economy. Finally but not last, the study has established and explained the importance of entrepreneurial orientation, strategic orientation, strategic entrepreneurship and performance of small and medium enterprises.

1.8. ORGANIZATION OF THE STUDY

This study is organized into five chapters as described below; Chapter one includes the background of the study, statement of the problem, the purpose of the study, research objectives and questions. The scope and significance of the study are as well explained in this chapter. Chapter two comprises a review and critique of existing literature on entrepreneurial orientation, strategic orientation, strategic entrepreneurship and performance of firm. Chapter three explains the methodology and limitations of the study. It describes the research design, study population, sample size, sampling techniques, data collection instruments, data processing and analysis of the study. Chapter four presents the findings and their interpretation. Chapter five comprises summary, the discussion of the findings, conclusions, recommendations and areas for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1. INTRODUCTION

This chapter begins by defining SMEs and their features and performance of SMEs. The second part describes the relationship between strategic entrepreneurship and performance, entrepreneurial orientation and performance, then the relationship between strategic orientation and performance of SMEs.

2.2. DEFINITIONS OF THE KEY CONCEPTS

Enterprise: It refers to a unit of economic organization or activity whether public or private engaged into the manufacturing of goods.

Small and Medium Enterprises (SMEs): Any enterprise with less than 100 employees, annual turnover below 50 million Rwf and a net investment capital below 75 million Rwf (MINICOM, Rwanda, 2010).

Entrepreneurship: Entrepreneurship is a dynamic process of innovation, opportunity recognition and creation of a new venture to create wealth, and includes the assumption of the risks and rewards of new venture (Hisrich and Peters, 1998; Shane and Venkataraman, 2000). The discovery and exploitation of opportunities also fall within the definition of entrepreneurship.

Entrepreneurial Orientation*:* Entrepreneurial orientation has been defined as the processes and decision-making activities that lead to a new market entry and the support of business activities (Kropp, Lindsay and Shoham, 2006). Entrepreneurial orientation also refers to the strategy making practices that businesses implement to identify and launch new ventures.

Strategic orientation: Strategic orientation reflects the strategic directions implemented by a firm to create the proper behaviors for the continuous superior performance of the business.

Strategic Entrepreneurship: Strategic entrepreneurship refers to the connection between entrepreneurship and strategic management literature (Kuratko and Audretsch, 2009). It can also be described as the integration of entrepreneurial (opportunity-seeking actions) with strategic (advantage-seeking actions) perspectives to design and implement entrepreneurial strategies that create wealth (Hitt, Duane, Camp and Sexton, 2001).

Performance: overall activities and operations performed by entrepreneurs in MSEs in strengthening their enterprises.

Firm's Performance: Performance is defined as a measure of how well or poorly the firm is doing (Phandya and Rao, 1998). Financial measures such as return on investment, return on equity, return on capital, etc. and non-financial measures such as employee retention, market share, etc. are used holistically and collaboratively to measure a company's performance.

Risk-taking: The concept of risk-taking in entrepreneurship refers to the willingness of entrepreneurs to take calculated business-related risks (Brockhaus, 1980).

2.3. SMALL AND MEDIUM ENTERPRISES (SMES) AND THEIR FEATURES

There is no strict definition of small and medium sized firms (SMEs). Different countries have different definitions of SMEs. The typical definition is based on categorization by the maximum number of staff and annual turnover. The abbreviation SME occurs commonly in the European Union and in international organizations, such as the World Bank, the United Nations. It means that small and medium enterprises which are further defined as companies whose headcount or turnover falls below certain limits.

European Union Member States traditionally have their own definition of what constitutes an SME, for example the traditional definition in Germany had a limit of 250 employees, while, for example, in Belgium it could have been 100. But now the EU has started to standardize the concept. Its current definition categorizes companies with fewer than 10 employees as "micro", those with fewer than 50 employees as "small", and those with fewer than 250 as "medium" Small medium organizations need to have between 20-500 employees (European Commission (2003)

In Australia, SMEs are defined as companies with staffing between 1-199, wherein companies with 1-4 staff are termed 'micro-company', companies with 5-19 staff are termed 'small company', while those with 20-199 employees are termed 'medium company'. In Rwanda, SMEs consist of micro, small, medium and large enterprises that meet the conditions mentioned in the table 2.1 below.

Table 2.1: Definition of SMEs in Rwanda

Size of the enterprise	Net capital investments (Million RWF)	Annual turnover (Million RWF)	Number of employees
Micro Enterprise	Less than 0.5	Less than 0.3	1 to 3
Small Enterprise	0.5 to 15	0.3 to 12	4 to 30
Medium Enterprise	15 to 75	12 to 50	31 to 100
Large	>75	>50	>1000

Source: MINICOM (2010)

In this study, the Rwandan definition is used (i.e. SMEs are those with 4-30 employees).

2.4. PERFORMANCE IN SMALL AND MEDIUM ENTERPRISES (SMES)

Performance is defined with respect to the firm's overall goals. That particular definition determined how performance is measured. They are multiple ways for measuring the performance of a firm. Recognizing the multidimensional nature performance, Zahara and Dess (2001) recommend using multiple performance measures. Performance measurement of SMEs can either be financial or no financial perspective. The financial perspective includes sales growth, market share and profitability. The non financial perspective includes employee growth and development of new market (Cadogan et al, 2008, Okpara, 2009). In this study financial performance was measured by financial-based performance measures.

In firms, a sale is the pinnacle activity involved in selling products or services in return for money or other compensation. It is an act of completion of a commercial activity. Sales growth is often used as a measure of performance. The assumption is often made that if sales increase, profits will eventually follow (Thomas and Mason, 2007). A key determinant of success in a firms growth is sales, provided of course that the profits and cash flows generated from the sales are adequate to cover the costs incurred in generation of the revenues.

The capital growth is anxiomate that innovative firms focusing on the growth of their business will experience an expansion in their capital base. More importantly, it is imperative that capital be as mobile as possible so that capital that has grown and accumulated in one business can be transferred to another business as part of a legitimate business growth strategy.

The concept of profitability is based on the comparison of the cash outflows required for implementing a strategic alternative with the cash inflows that this alternative is expected to generate (Michael, 1992). Profitability measured as determined by Pandey, (2006) included profitability in relation to sales and profitability in relation to investment. The profitability in relation to sales is measured by net profit margin, return on investment and return on equity. Net profit can be obtained when operating expenses, interest and taxes are subtracted from the gross profit. The ratio obtained therefore establishes a relationship between net profits and sales and also indicates management's efficiency in manufacturing, administration and selling of company products. The general rule is for the ratio to turn every cash invested in the business into profits.

The return on investment and return on equity are measures of profitability in relation to investment. The return on investment is obtained by dividing the profits after tax by the investment and the return on equity by dividing the profit after tax by the net worth of the business. The return on equity indicates how well management is utilizing the resources of the shareholders and that the ratio of net profits to owners' equity reflects the extent to which management bas achieved proper utilization of shareholders resources.

2.5. ENTREPRENEURIAL ORIENTATION AND FIRM PERFORMANCE

The relationship between entrepreneurial orientation and firm performance has been at the forefront of entrepreneurship literature for many years. Numerous scholars have theorized about the positive relationship that exists between entrepreneurial orientation and profitability and/or growth of the firm (Covin and Slevin, 1991; Lumpkin and Dess, 1996). However, the studies have differed in their approaches to measuring entrepreneurial orientation, with some using a multi-dimensional approach and others using a uni-dimensional approach.

When entrepreneurial orientation was examined as a uni-dimensional construct, many researchers obtained results that supported the existence of a positive relationship between entrepreneurial orientation and firm performance (Zahra and Covin, 1995). Zahra & Covin

(1995) found a significant positive relationship between entrepreneurial orientation and performance and claimed that the relationship is increased over time. A separate study by Becherer and Maurer (1997) confirmed a positive relationship between entrepreneurial orientation and firm performance. A study by Wiklund (1999) which took a longitudinal approach by examining 132 Swedish firms over a two-year period to assess the relationship between entrepreneurial orientation and firm performance; the findings of this study confirmed a positive relationship between these two factors, and concurred with Zahra & Covin (1995) in that this relationship is enhanced over time.

Other studies have revealed insignificant, and sometimes negative, relationships between entrepreneurial orientation and firm performance (Covin, Slevin and Schultz, 1994; Kaya and Syrek, 2005). However, empirical results obtained by analysing the relationship between these variables continue to correlate with the wide majority of research supporting the relationship as a positive one. It has become increasingly evident that an entrepreneurial orientation and performance relationship will likely result in a positive relationship between the two variables.

2.5.1. Innovativeness and Firm Performance

A multi-dimensional approach to the entrepreneurial orientation construct requires the individual assessment of the relationship between each unique dimension of entrepreneurial orientation and firm performance. The first of the three dimensions to be examined is that of firm innovativeness. Many scholars have offered suggestions for the measurement of firm level entrepreneurship, most of which include the innovative nature of an organization as a key component. Some researchers have suggested the use of product innovation as a sole predictor of firm-level entrepreneurship (Jennings and Lumpkin, 1989).

In his study, Schumpeter (1934) claims that innovative thinking within a firm can result in two types of innovation, namely a slight improvement to existing products to increase efficiency or productivity, and the development of new products or processes resulting in new market creation. These two types of innovation are known as incremental and radical respectively. The presence of innovation and the resulting advantages highlight how important it is to a company's success.

The idea of innovation as the sole predictor of entrepreneurship has been generally dismissed; however, the importance of innovation as a contributing variable to an overall measure of firm level entrepreneurship is indisputable. The findings of an empirical study by Zahra & Bogner (2000) support the positive relationship between innovation and performance.

2.5.2. Pro activeness and Firm Performance

Empirical evidence has shown the impact of pro activeness on firm performance. A study by Becherer & Maurer (1999) found a significant positive relationship between pro activeness and a firm's change in sales levels. Becherer and Maurer's (1999) study surveyed the managers of 215 small firms and the results provided evidence to support the importance of pro activeness in an organization. The results of many other studies have also found a strong positive correlation between pro activeness and firm performance (Lumpkin and Dess, 2001; Krauss, Frese, Friedrich and Unger, 2005).

2.5.3. Risk-taking and Firm Performance

The relationship between a firm's level of risk-taking and performance has been a topic of interest in the field of entrepreneurship for almost two decades. Lumpkin & Dess (1996) suggest that entrepreneurial firms often make large investments in resources with the aim of capitalizing on available opportunities in the market, resulting in higher returns. Firms willing to take risks by committing resources can benefit by receiving significant financial gains.

As clarified previously, an entrepreneurial firm is one that engages in product market innovation, undertakes risky ventures and is the first to come up with proactive innovations (Miller, 1983). Focusing on the risk portion of the definition of entrepreneurial firms by Miller (1983), entrepreneurial firms are expected to take risks while non-entrepreneurial firms are expected to be risk averse. The above statement implies that entrepreneurial behavior, when measured by the risk-taking variable, maximized at a moderate level of risk, results in a curvi-linear relationship between the variables (Miller, 1983). Following this logic by Miller (1983), a non-linear relationship between risk-taking and entrepreneurship can be expected.

The results of a study by Begley & Boyd (1987) supported the existence of a curvi-linear relationship between risk-taking and performance, in that firm performance was maximized at a

moderate level of risk-taking. These findings suggest that an overall analysis of the individual dimension of risk-taking in relation to firm performance will reveal a non-linear relationship.

2.6. STRATEGIC ENTREPRENEURSHIP AND FIRM PERFORMANCE

Strategic entrepreneurship, which integrates entrepreneurship and strategic management (Hitt et al., 2001; Ireland et al., 2003), can be uncertain and ambiguous as it seeks to combine and synthesize opportunity-seeking behavior and advantage-seeking behavior to promote wealth creation (Ireland et al., 2001). When effectively implemented, strategic entrepreneurship leads to a comprehensive and integrated commitment to both sustaining and disruptive innovations as drivers of wealth" (Ireland et al., 2001).

Strategic entrepreneurship helps a firm to respond properly to the different environmental changes that face many of today's organizations. SMEs have recently operated in a very competitive environment which necessitates strategic entrepreneurial behavior for competitive advantage. Smaller enterprises were good at opportunity seeking while larger enterprises were better at competitive advantage which implied effective strategic entrepreneurship helps the firm develop relatively sustainable competitive advantages (Hitt et al., 2001; Ireland et al., 2003).

Strategic Entrepreneurship plays a vital role in a highly turbulent environment. The goal of strategic entrepreneurship is to continuously create competitive advantages that lead to maximum wealth creation. An entrepreneurial mindset, an entrepreneurial culture, entrepreneurial leadership, strategic management of resources and applying creativity to develop innovations are important dimensions of Strategic entrepreneurship that explain the different levels of performance of SMEs(Hitt et al., 2002).

Recent research has shown that resources are the basis of firm differential performances in terms of wealth creation. The evidence shows that firms use of particular resources has a stronger influence on performance than do industry characteristics, although the relative size of firm effects can vary by industry (Barney and Arikan, 2001).

Applying creativity and developing innovation is important in strategic entrepreneurship. Innovative first movers destroy incumbents "market power and enjoy transient monopoly advantages and abnormal profits because of rivals" lagged responses (Thesmar and Thoenig, 2000). SMEs that have been innovative performed better than those that didn't. Innovation is

linked to successful performance for firms in both the industrial and service sectors as well as to entire economies (Kluge et al., 2000). In addition, creativity is increasingly important, especially for companies operating in markets with multiple opportunities to differentiate goods and services (Barney and Arikan, 2001). SMEs that have continuous creativity performed better than those that didn't.

2.7. STRATEGIC ORIENTATION AND FIRM PERFORMANCE

Strategic orientation is frequently conceptualized as a key antecedent to superior performance (Hitt et al., 2000). The strategic orientation concept reflects entrepreneurs' perceptions of the environment and their reactions to environmental conditions (Hitt et al., 2000). Entrepreneurs are implementers of strategy and their preferences continue strategic drives. Recent studies view strategic orientation as an issue of how enterprises position themselves with respect to competitors.

SMEs have deliberate or emergent strategic orientations based on a variety of internal and external factors such as resources, organizational structure, and level of competition, enterprise's goals, the enterprise's networking and strategic leadership. SMEs entrepreneurs can benefit when they draw on their net work to identify new business opportunity or valid their new ideas (Aldrich and Zimmer, 2000) and therefore performance.

Recent strategic literature drawing on the context provided by the resource-based theory (Barney 1991) has persistently insisted on the relevance of resource strategy especially those of intangible nature. Kerin et al (1992) argue that strategic orientations are a determinant of a competitive sustainability. Firm performance analysis has traditionally argued that well-conducted strategic orientations enable a firm to earn above-average returns (Hitt et al., 2002)**.** Resource strategy is important in firm performance and also interesting to study how these resources and capabilities determine the strategic process of the firm (Barney 1995), or whether the way in which resources and capabilities are managed is influenced by the strategic orientation of the firm performance.

2.8. EMPIRICAL STUDIES

Due to its newness in the field of scientific research, a few related studies on strategic entrepreneurship and performance of SMEs in Rwanda have been carried out. In the context of other African countries, the attempts which have been made are some studies related to

entrepreneurial orientation and SMEs performance. Owoseni et al., (2010) investigate the influence of entrepreneurial orientations on perceived SMEs performance in Nigeria. This study revealed that innovativeness, risk taking and pro-activeness jointly predicted organizational performance. Edwards Marfo et al., (2012) conducted a study in Cape Coast Metropolis in Ghana on the effect of entrepreneurial orientation on Firm Performance of Auto Artisans. Their findings revealed a significantly positive influence of entrepreneurial dimension on performance.

Ian Maseko (2010) studied the influence of stakeholder's orientation and entrepreneurial orientation on the performance of Small tourism business in the Eastern Cape Province of South Africa and found a positive significant relationship between entrepreneurial orientation and small and medium firms' performance. A study by Zahra (1993) found that a strong positive relationship exists between entrepreneurship and performance among firms in dynamic environments. These findings correlate with the findings of a study by Miller (1988), in that innovative strategies in dynamic environment were associated with higher performance.

The results of the study on Strategic entrepreneurial skills' influence on Small Businesses' performance in Nigeria confirmed positive relationship between the dependent variable (Small businesses' performance) and independent variable (strategic entrepreneurial skills).
Robert Arasa (2012) studied the relationship between strategic planning and firm performance and the correlation analysis results indicate the existence of strong relationship between strategic planning and firm performance.

Conclusion
According to the findings of the literature of this study, it is right to assert that it has pointed out the theories relevant to strategic entrepreneurship and SMEs performance. It has been evidenced from the above literature, that entrepreneurial orientation and strategic orientation are acknowledged that they enhance performance independently.
It was observed from the above studies that there was no specific study on strategic entrepreneurship and SMEs performance. All researches carried out were on entrepreneurial orientation and SMEs performance. In addition, above mentioned studies have been conducted in countries other than Rwanda; there might be different findings depending on the management and characteristics of SMEs. So, there is need to conduct this research to see if there is a relationship between strategic entrepreneurship, entrepreneurial orientation and SMEs

performance in Rwanda, specifically in Huye district. The contribution of this study is to find out strategic entrepreneurship measures used in SMEs in Huye district, determine their relationship with SMEs performance and to propose how these measures could be addressed and implemented in order to increase SMEs' performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. INTRODUCTION

In this chapter the researcher presents a description of the methodology that was employed in carrying out the study. The chapter spells out the research design, the study population, the sampling method, size and procedure, data collection, data analysis procedures and techniques and ethical considerations.

3.2. RESEARCH DESIGN

Research design is the blueprint for fulfilling research objectives and answering research questions (John A.H. et al., 2007). In other words, it is a master plan specifying the methods and procedures for collecting and analyzing the needed information. It ensures that the study would be relevant to the problem and that it uses economical procedures. The same authors discusses three types of research design, namely exploratory (emphasizes discovery of ideas and insights), descriptive (concerned with determining the frequency with which an event occurs or relationship between variables) and explanatory (concerned with determining the cause and effect relationships).

This study used a descriptive survey design particularly a descriptive correlational design because the researcher was looking for the relationship between strategic entrepreneurship and performance of SMEs. This study used quantitative data. Hence, closed-ended questions, quantitative data was collected which was related to each organization as whole and also personal characteristics of the respondents. Responses and information were collected from the firms' representatives through self administered questionnaire. The quantitative method was used when dealing with tabular presentation of data analysis and frequencies as well as calculation of percentages. Through statistical data, this research approach offered explanation, estimation and insight into the nature of the relationship between strategic entrepreneurship and firm performance and to test the validity of the literature.

3.3. POPULATION OF THE STUDY

The term "Population" refers to the total human inhabitants of a specified area, such as a city, country, or continent, at a given time (Encarta Encyclopedia, 2009). A population is the complete collection of all the elements that are of interest in a particular investigation. According to (Borg &Gall, 1989) target population is defined as all the members of a real or hypothetical set of people, events or objects to which a researcher wishes to generalize the results of the research study. The target population for this study consisted of all the 215 small and medium enterprises, owners/ managers who have registered their enterprises and are operating in Huye district (Huye district report, 2013). The table 3.1 presents the population description of this study.

Table 3.1: Study population (SMEs in Huye district)

Type of SMEs	Location	
	Huye	**Rwanda**
1.Commerce	44	1145
2.Service	26	601
3.Agriculture	19	598
4.Handcraft	20	498
5.Distribution	24	372
6.Livestock	21	285
7.Mining	1	97
8.Fishing	0	80
9.Whole sales trade	20	305
10.Nurseries	4	51
11.Manufacturing	4	25
12.Retail	25	423
13.Seeds multiplication	0	32
14. Construction	7	15
Total	**215**	**4527**

Source: Rwanda Cooperative Agency records, 2013

The table 3.1 shows that the majority of SMEs in Huye district were in commerce and service, followed by those in agriculture and the least were in manufacturing and construction.

3.4. SAMPLING METHODS AND SAMPLE SIZE

3.4.1. Sampling methods

Simple random sampling and purposive sampling methods were used in this study.

3.4.1.1 Simple random sampling

According to Siegle (2004), simple random sampling is used in a situation when each respondent has an equal chance of being selected to participate in the study. In addition, simple random sampling is used in order to select a representative without bias from the accessible population (Oso and Onen, 2005). This ensured that each member of the target population has an equal and independent chance of being included in the sample. The researcher therefore used simple random sampling of owners of SMEs. After identifying sample size for SMEs, the researcher used the list of SMEs owners found in Huye district profile (2013), the researcher assigned a number to every SMEs owner on the list, place the numbers in a container and picked number at random until he reached the determined sample size.

3.4.1.2 Purposive sampling

According to Amin,(2005) purposive sampling is preferred in selecting people holding positions that allow them to be more knowledgeable with issues going in their areas. In that respect therefore the researcher used purposive sampling for selecting respondents like Head SMEs owners or managers. This purposive sampling was applied to the owners of SMEs.

3.4.2. Sample size

A sample is a small portion of the study population (Awuondo, 1994) and according to Cohen et al., (2007), researcher will be required to collect data from a small number of participants who are part of large population or group and that small number is what is referred to as a sample. Different authors have argued about what should be the ideal sample size. In this regard, (Krejcie and Morgan, 1970) asserted that it was the circumstances of the study situation that determines what number or what percentage of the population should be studied but yet the bigger the sample from the population the better.

The parent population of this study was SMEs owners or managers of over 215 SMEs in Huye district out of which 140 SMEs owners or managers were selected purposively so as to include

all types of SMEs. The sample for this study was drawn from the target population using the Slovin (1960)'s formula:

$$n = \frac{N}{1+N(e)^2}$$

Where;

n= is the sample size,

N= is the population size,

e= is the level of precision (error tolerance).

The sample size for 215 SMEs is calculated as follows: $n = \frac{215}{1+215\,(0.05)^2} = \mathbf{140}$

A total of 140 respondents including SMEs owners or managers were sampled out of the total of 215 owners/managers in the 140 SMEs owners/ managers and were given questionnaires and all were returned fully filled for analysis.

The Sample was determined using proportional stratified random sampling in order to achieve the desired representation from all subgroups of the owner-managers of SMEs. A sample was drawn from all owner-managers of SMEs who had given their informed consent to participate in the study.

Table 3.2 below indicates the stratification of the study population and the composition of the sample based on the indicated formula.

Table 3.2: Sample size

No	Type of SMEs	Number	(Number x140)/215	Sample
1	Commerce	44	28.651162	29
2	Service	26	16.930232	17
3	Distribution	24	15.627906	16
4	Manufacturing	4	2.6046511	2
5	Retail	25	16.279069	16
6	Livestock	21	13.674418	14
7	Whole sales trades	20	13.023255	13
8	Agriculture	19	12.372093	12
9	Handcraft	20	13.023255	13

10	Nurseries	1	0.6511627	1
11	Mining	4	2.6046511	3
12	Construction	7	4.5581395	4
Total		**215**		**140**

Source: *Source: Researcher's sampling scheme*

3.5. SOURCE OF DATA

This process enabled the researcher to gather and to measure information on variables to be correlated. It helped the researcher to go in line with the stated research objectives, discuss and evaluate outcomes. Therefore, both secondary and primary data were collected.

3.5.1. Secondary data

Secondary data is the data already exists. The secondary data was used to support the empirical findings of the study. This data was obtained from existing literature in previous research papers findings, journals, reports, textbooks, etc.

3.5.2. Primary data

Primary data is the data collected from the case study. The required primary data was collected directly from respondents (SMEs owners). This was done through administering questionnaires. The questionnaire was designed with an aim of getting respondents' opinions and perceptions on strategic entrepreneurship and performance of SMEs.

3.6. DATA COLLECTION INSTRUMENT

Primary data was collected through administering a questionnaire. The questionnaire contained structured questions relating to each study variable in question. The layout of the questionnaire was kept very simple to encourage meaningful participation by the respondents. The questions were kept as concise as possible with care taken to the actual wording and phrasing of the questions. The reason for the appearance and layout of the questionnaire are of great importance in any survey where the questionnaire was completed by the respondent (John A. et al., 2007). The literature in the study was used as a guideline for the development of the questions in the questionnaire. Besides, some questions in the questionnaire were adopted from other sources (Habtamu and Mulugeta, 2010).

The questions that were used in the questionnaire are multiple-choice questions and five-point likert scale type questions. The type of scales that were used to measure the items on the instrument is continuous scales (1=strongly agree 2=agree, 3=neutral, 4=disagree 5= strongly disagree).

Secondary data was obtained through literature review of previous research findings and existing literature on each study variable.

3.7. DATA COLLECTION PROCEDURE

The researcher got both approvals from the UR faculty and Huye district. When approved, the researcher secured a list of SMEs from Huye district authorities in charge and select through sample random sampling to arrive at the sample size. The researcher produced more than enough questionnaires for distribution. Primary data was collected with the use of questionnaires administrated to owner managers. Secondary data was gathered from libraries, internet, and district and sector reports.

The researcher administered the research tools after a prior visit that assisted in refining timings of distribution of questionnaires. It also provided a rough picture of the respondent's expectations. The respondents were asked to answer completely and not to leave any part of the questionnaires unanswered. The researcher agreed with the respondents on the retrieval of the questionnaires within one week from the date of distribution. On the retrieval, all returned questionnaires were checked if all are answered. The data gathered was collated, encoded into computer and statistically treated using Statistical Package for Social Sciences (SPSS version 16.0).

3.8. MEASUREMENT OF VARIABLES

Measures from prior studies on strategic entrepreneurship and firm performance were used and all scales used were supported by literature. For all the research variables, a 5 point Likert scale was used in which the respondents were asked to give response that was anchored from strongly agree (1), agree (2), neutral (3), disagree (4) to strongly disagree (5).

3.8.1 Entrepreneurial orientation scale

The entrepreneurial orientation used in this study was based on the original work of (Khandwalla, 1977), which was subsequently modified by (Covin and Slevin, 1989). In this study, the scale is a reduced five-point Likert-type scale that is used to measure the three dimensions of entrepreneurial orientation (innovativeness, risk-taking and proactiveness). The combination of the levels innovativeness, risk-taking and proactiveness has been concluded by research to measure an organisation's entrepreneurial orientation (Aloulou and Fayolle, 2005; Wiklund and Shepherd, 2005). This combination has shown high levels of validity and reliability in numerous studies, as discussed previously. The first three items of the nine-item entrepreneurial orientation scale was used to measure risk-taking, the fourth and fifth items assessed innovativeness and the remaining four items assessed proactiveness. The respondents were asked to indicate their responses to each question on a five point Likert-type scale (1= strongly agree, 2=agree 3 = neutral 4=disagree 5= strongly disagree). The ratings of these responses were averaged to generate an entrepreneurial index, with the result that the higher the index, the more entrepreneurial the firm.

3.8.2 Strategic orientation scale

Strategic orientation is defined as the strategic directions implemented by a firm to create the proper behaviors for the continuous superior performance of the business. For assessment, the respondents were asked to indicate their responses to each question on a five point Likert-type scale (1= strongly agree, 2=agree 3= neutral 4=disagree 5= strongly disagree) with the statements that relate to strategic orientation such as resources strategy, strategic leadership and networking.

3.8.3 Firm performance scale

The selection of performance measures that reflect the true situation of small businesses with some degree of certainty and reliability is indeed a crucial process (Rami and Ahmed, 2007). The lack of universally accepted standard performance measures left the door open to business organizations to decide and choose its own performance measures that might not truly reflect their performance.

For the purpose of this study sales growth, profitability and market share were used as dependent variables to measure the performance of SMEs. A five point Likert scale ranging from strongly

disagree (1), disagree (2), not sure (3), agree (4) and strongly agree (5) was adapted for the study on the statement related to performance of the firm.

3.9 .VALIDITY AND RELIABILITY OF RESEARCH INSTRUMENT

3.9.1. Validity

Validity is concerned with the extent to which an instrument measures what one thinks it is measuring (Cohen et al., 2007) or the extent to which a method of data collection presents what it is supposed to do or the extent to which a method of data collection measures what it is supposed to measure. In order to ascertain content and face validity of instruments, the researcher-made questionnaires were examined and assessed by research experts and the supervisor to examine whether the items used were valid measures of Strategic Entrepreneurship and Performance of Small and Medium Industries. The content and impressions of instrument were improved, based on supervisor's corrections and comments.

The statement which did not portray the meaning, was scraped off and replaced according to their advice. This intended to correct any errors or eliminate ambiguities in the items that might be identified before the administration.

To determine whether the instrument was valid, a minimum Content Validity Index (CVI) of 0.7 was used as suggested by Amin (2005)'s formula:

Content Validity Index (CVI) = R/N where R is the number of items declared valid and N is the total number of items. This confirmed the dimensions of the concepts under study which were operationally defined to ensure appropriateness of results.

3.9.2. Reliability

Mugenda and Mugenda (1999) defined reliability as a measure of the degree to which a research instrument yields consistent results or data after repeated trials. An instrument is reliable when it can measure a variable accurately and obtain the same results over a period of time. However, reliability in research is affected by random errors, the pre-test helped the researcher identify the most likely source of errors and hence respond to before the actual study. According to him, there are several devices for checking reliability in scales and tests such as re-test. The reliability

of the questionnaires was improved through pretesting of pilot samples both from owners of SMEs. This enabled the re-phrasing of some questions.

Reliability of the questionnaire was measured the Cronbach method of internal consistency given by the following formula:

$$\alpha = \frac{k}{k-1}\left[1 - \frac{\Sigma SD_t^2}{SD_T^2}\right]$$

Where:

α= alpha coefficient

k= numbers of items in the instrument

Σ= summation

SD_t^2=standard deviation within each item

SD_T^2= Total standard deviation

Furthermore, the value of the reliability coefficient was calculated using cronbach's alpha coefficient. The results of the computation are summarized in the table 3.2 below.

Table 3.3: Reliability test for standardized questionnaires

Variables	Variables	Cronbach's Alpha(α)
1. Strategic orientation	18	.764
2. Entrepreneurial orientation	20	.765
3.Strategic entrepreneurship	16	.748
4.Performance of SMEs	12	.812

The table 3.3 above displays the reliability indices/coefficients for all constructs used in the study. All alpha reliabilities (α) for all scales were above 0.6, ranging from 0.748 to 0.812, therefore meeting acceptance standards for use of data collection (Nunnally &Berstein, 1994).

3.10. DATA PROCESSING AND ANALYSIS

Data collected from questionnaires was analyzed using a computerized data analysis tool. The Statistical package for social scientists (SPSS) version 16.0 was used for data entry and analysis. During the analysis of the data, descriptive statistics were used to present the results of the respondents' background characteristics. Pearson's correlation coefficient was used to establish the relationships between entrepreneurial orientation, strategic orientation and strategic entrepreneurship and performance of SMEs. Multiple regression analysis was used to predict the performance of SMEs.

3.11. ETHICAL CONSIDERATIONS

According to Borg and Gall (1989), it is argued that the researcher has to ensure confidentiality of data and sources. Additionally they argue that names of the participants and the places they live or work must not be revealed. In this study, the confidentiality of participants and data collected were observed. The study did not bear participants' names or names of their respective enterprises. The research instrument did not require anybody to provide information that made anybody reading the report to identify the data sources. In other words, anonymity of both participants and data were strictly observed. Besides, the respondents gave their informed consent to participate in the study and the participation was on voluntary basis. Furthermore, physical or psychological harm while collecting data were avoided.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1. INTRODUCTION

This chapter contains presentation, analysis and interpretation of the study findings. The presentation in this chapter shows the results as tested according to the objectives of the study. Later in the chapter, more statistical descriptive were used to present the results together with the combination of Pearson Correlation and regression analysis.

4.2. PROFILE OF SELECTED SMES IN HUYE DISTRICT

Table 4.1: Distribution of SMEs by selected sector

Sector	Type of SMEs	Number of SMEs
Gishamvu	Arts and handcraft	2
	Commerce	5
	Retail	6
	Service	3
Maraba	Commerce	4
	Arts and handcraft	1
	Distribution	3
Tumba	Service	11
	Retail	5
	Commerce	8
	Distribution	4
Huye	Commerce	4
	Arts and handcraft	1
Kinazi	Commerce	7
	Manufacturing	1
	Retail	11
	Distribution	7
Ngoma	Livestock	1
	Arts and handcraft	3
	Whole sale trade	10
	Commerce	8
	Service	4
	Retail	
	Distribution	13
		8
Rusatira	Commerce	7
	Arts and handcraft	2
	Retail	1
Total		**140**

Source: field results

The table 4.1 above shows that firms in selected sectors are classified into livestocks, construction, arts and handcraft, agriculture, service and whole sale trade. From the above table Ngoma sector dominates other sectors in promoting SMEs in Huye district followed by Mbazi sector. This is due to the availability of customers as those sectors are located and neibouring the main town of the district. The dominating enterprise in all sectors is agriculture. This is because this enterprise does not require high capital to be started and it encouraged by the Government of Rwanda through agriculture cooperatives.

4.3. PERSONAL CHARACTERISTICS OF THE RESPONDENTS

To present sample characteristics, frequency tabulations and frequency distributions were used to indicate variations of respondents based on the gender, age, the marital status, and the educational level, the period of business, the number of employees, the firm annual net sales, and nature of business, the business description and the entrepreneurial formal training.

4.3.1 Gender

Gender was one of the variables the present study analyzed. The intention was to find out whether the sample selected was balanced in terms of gender. The results are presented in the frequent table 4.2.

Table 4.2: Gender of respondents

Gender	Frequency	Percent
Male	58	41.4
Female	82	58.6
Total	**140**	**100.0**

Source: Field results

The results from the table 4.2 above showed that 58.6% of the respondents were female whereas 41.4% were male. From the findings the female respondents were more responsive compared to their male counterparts. This is implication that the female respondents were more business oriented than males. The predominance of women in business shows that there has been awareness of the role of women in the economic development of the country. There are also highly represented in the parliament.

4.3.2. Age

Frequency tabulation was used by the researcher to present the age group distribution categories of the respondents. Table 4.3 shows the results.

Table 4.3: Age group of respondents

Age	Frequency	Percent
<25	2	1.4
25-34	39	27.9
35-44	57	40.7
45-54	24	17.1
55-64	9	6.4
65 and above	9	6.4
Total	**140**	**100.0**

Source: Field results

According to the results from the table 4.3 the majority of the respondents almost 40.7% belonged to the 35-44 years age group whereas, approximately 1.4% who were the least belonged to the age below 25 years age group. This implies that the majority of the respondents had acquired enough experience in doing business which enhanced their business stability and expertise. The expertise helps the firm owner to take favorable decision on their sources of capital and risk management. In addition, it is during this time that people seem to enjoy their business and this is the time they are also utilizing their energy to profit from the business in SMEs before in order to be able to join large enterprises. It can be concluded that as a person matures the potential of owning business growth firms increases. The success may be attributed to the business experiences that prepared them to own and grow their businesses. Additionally, the older entrepreneurs who are mature people might have the knowledge of the business they are involved in and more financially stable.

4.3.3. Marital status

Marital status was also taken to be one of the variables analyzed. The intention was to find out which category dominates the SMEs. The elicited response was presented in the table 4.4

Table 4.4: Marital status of respondents

Marital		Frequency	Percent
Valid	Married	77	55.0
	single	36	25.7
	Windowed	2	1.4
	Divorced	25	17.9
	Total	**140**	**100.0**

Source: Field results

The table 4.4 shows that majority of respondents (55.0%) were married, followed by those who were single at 25.7% and the least (1.4%) were widowed. This analysis shows that it is married people who have more financial obligation that could enable them see the need for undertaking business ventures.

4.3.4. Level of education

This study considered education level as a variable. The intention was to find out the education level that dominates among the SMEs owners. The results are presented in table 4.5.

Table 4.5: Education level of respondents

Education level	Frequency	Percent
No Education	20	14.3
Primary school	46	32.9
Secondary School	48	34.3
Vocational School	25	17.9
University	1	.7
Total	**140**	**100.0**

Source: Field results

The results from the table 4.5 above indicated that the majority of the respondents (34.3%) had completed secondary school followed by those who had completed primary school at 32.9% and 14.3% did not have any formal education. However, the above finding shows that businesses are undertaken by all categories irrespective of the level of education. It is indisputable of the role of

education vis-a-vis the sustainability of businesses. Entrepreneurs acquire entrepreneurial attitudes and behaviors through education which help them run their business successfully (European Commission, 2008). Hence educated entrepreneurs are likely to succeed in their business rather than those who are not educated.

4.4. ANALYIS OF PRIMARY DATA

4.4.1. Period of existence of the SMEs

The table 4.6 illustrates the period of existence of SMEs that participated in this research.

Table 4.6: Period of existence of the SMEs

Age	Frequency	Percent
0-1 year	21	15.0
2-5 years	51	36.4
6- 10 years	33	23.6
11-15 years	1	.7
16+	34	24.3
Total	**140**	**100.0**

Source: Field results

Results as presented in table 4.6 above revealed that the majority at (36.4%) of the businesses surveyed have been operational for a period between 2 to 5 years followed by those that were above 16 years at 24.3 %, followed by those that have been operational between 6 and 10 years at (23.6%) and 1 has been operational between 11 and 15 years. This implies that the business activities are at infancy level in study area and therefore need suitable environment conditions to foster their growth and sustainability over time. This infancy level resulted from various challenges that most SMEs in Rwanda face such as transport, energy, weak education system, technology and limited financial outreach (MINICOM, 2010). Nevertheless, it is very rare for the SMEs to expend their products and services.

4.4.2. SMEs number of employees

Frequency tabulation was used by the researcher to present the number of employees distribution among SMEs. Table 6 shows the results

Table 4.7: Number of employees

Number of employee	Frequency	Percent
1-25	122	87.1
26-50	1	.7
51-100	15	10.7
101-250	1	.7
251+	1	.7
Total	**140**	**100.0**

Source: Field results

According to the results from the table 4.7, the majority of the SMEs 87.1% employed 1-25 employees whereas, 10.7% of the SMEs employed more than 25 employees. This implies that the majority of the SMEs employed 25 employees or less which is in confirmation that most of the SMEs were still macro in size in terms of the number of employees. This reflects what is reported by MINICOM in 2011 on the SMEs Product Clusters in Rwanda, the establishment census revealed that 92.6% of all establishments can be classified as being micro in size.

4.4.3. SMEs monthly net sales

The frequency tabulation was used by the researcher to present the firm monthly net sales distribution. The table 4.8 presents the results.

Table 4.8: Firm monthly net sales

Monthly net sales	Frequency	Percent
Below Frs 40,000	11	7.9
Frs 40,000-Frs 80,000	71	50.7
Frs 160,000-Frs 320,000	23	16.4
Frs 400,000 - Frs 720,000	25	17.9
Frs 800,000 +	10	7.1
Total	**140**	**100.0**

Source: Field results

The results from the table 4.8 demonstrated that 7.9% of respondents have monthly net sales of less than Frs 40,000. 50.7% of respondents have monthly net sales between Frs 40,000 and 80,000, 16.4% have annual net sales of between Frs 160,000-320,000, 17.9% have monthly net sales of between Frs 400,000- Frs 720,000 whereas 7.1% have more than Frs 800,000 as monthly net sales. These results imply that the 1/2 of SMEs respondent owners in Huye district have only monthly net sale between Frs 40,000 and 80,000. This monthly net sale implies the lack of entrepreneurial skills among respondent owners. Many SMEs have rudimentary production facilities, low quality products and services, underutilize appropriate technology. There is also limited innovation and competitiveness in the SMEs sector caused by a lack of technical and managerial skills.

4.4.4. Types of business

The study tried to find out the business categories undertaken by respondents. The intention was to find out which business category was dominating. The results are presented in table 4.9.

Table 4.9: Types of business in SMEs

Type of business	Frequency	Percent
Service	18	12.9
Retail	36	25.7
Manufacturing	1	.7
Distribution	22	15.7
Livestock	1	.7
Wholesale Trade	10	7.1
Commerce	43	30.7
Others	9	6.4
Total	**140**	**100.0**

Source: Field results

The results from the table 4.9 showed the majority of respondents (30.7%) were in commerce, followed by those in retail trade at 25.7% and the least were in manufacturing and livestock at 0.7%. Those in others at 6.4% were further asked to reveal such business. They included agricultures and handcraft. The results imply that the most SMEs are operating in commerce, retail and services. These results confirm what is researched by EAC's on SMEs in Rwanda, the vast majority of SMEs work in commerce and services (EAC report, 2009). In the same line, the report produced by MINICOM demonstrated that economic sectors with the largest number of establishments are generally concentrated in micro and small sized establishments of 99.9% commerce and retail trade while services occupied 99.8% compared to other sectors.

4.4.5. SMEs business description

Frequency tabulation was used by the researcher to present the description of the business by respondents among SMEs in the study area. The table 4.10 presents the results.

Table 4.10: Business description

Business description	Frequency	Percent
Growing	112	80.0
Stable	12	8.6
Declining	16	11.4
Total	**140**	**100.0**

Source: Field results

The majority of respondents (80.0%) indicated that their firms are growing, 8.6% of respondents indicated that their firms are stable whereas (11.4%) of respondents indicated the decrease of their businesses. SMEs in Rwanda remained less competitive compared to regional neighbors and has not been a coordinated policy to address the SMEs landscape and unlock the underlying potential of SMEs in national development. Some policies, laws and strategies established between 2006 and 2010 that support SMEs were put in place. For example Nation Policy on the Promotion of Cooperative 2006, Economic Development and Poverty Reduction Strategy 2007, Trade Policy 2006 etc. Some entrepreneurs are not aware of them and they are not even educated. Ignorance of law and other policies can lead entrepreneurs to be less innovative, competitors and risk takers. Therefore there is lack of qualified human resources which implicates the SMEs to stagnation.

4.4.6. Period of SMEs existence

Respondents were further asked to reveal the time period they have spent in business. This was intended to give a clear picture on whether there was business progress or not. Table 4.11 presents the results.

Table 4.11: Time spent in SMEs business

Time spent in SMEs	Frequency	Percent
Below 1 year	44	31.4
2-4 Years	28	20.0
5-7 Years	17	12.1
8-10 Years	36	25.7
Above 10 years	15	10.7
Total	**140**	**100.0**

Source: Primary data

The results from the table 4.11 showed that the majority of the respondents (31.4%) had worked for less than one year, followed by those who had spent 8-10 years at 25.7% and the least (10.7%) had spent over 10 years. These results imply that the majority of the SMEs had not been in existence for more than 10 years which implies that the majority of the SMEs were still in the growth stage. The findings (majority of SMEs being below one year old) may be linked to the support measures that the Government of Rwanda has put in place to support SMEs. It is also expected that after five years most SMEs will either not qualify under SMEs definition or have failed.

4.4.7. SMEs owners' formal entrepreneurial training

Respondents were asked to reveal which kind of formal training they have received. Table 4.12 presents the results.

Table 4.12: SMEs owners' formal entrepreneurial training

Formal training	Frequency	Percent
Leadership	4	2.9
Marketing	12	8.6
Financial management	19	13.6
Entrepreneurship	17	12.1
Project Management	40	28.6
No training	48	34.2
Total	**140**	**100.0**

Source: Primary data

Table 4.12 showed that majority of respondents (34.2%) revealed that they have not been trained in any formal entrepreneurial training whereas 28.6% of respondents have been trained in project management followed by those who have been trained in financial management at (13.6%) and the least (2.9%) revealed that they received training in leadership. The results imply that the majority of SMEs owners need formal entrepreneurial training in the management of capital and human resources of their firms. The implication of this situation is that the entrepreneurs' skills and experience will lead to a higher innovation as well as competitiveness in the business performance of SMEs. The lack of formal entrepreneurial training will lead to poor performance of SMEs. Training impacts, essential attitudes and skills, the entrepreneurs which will enable them to explore the environment and identify opportunities for improvement, mobilize resources and implement actions to maximize these opportunities.

4.5. ANALYSIS OF PROFILE OF SELECTED SMEs AND THEIR PERFORMANCE

Performance measures included sale growth, net profit and market share. For each measure, an annual figure was calculated for each of the three years from 2011 to 2013. Sale growth was calculated as the percentage change in sales in each year divided by sales in initial year. Net profit margin was calculated as the percentage of gross income in each year. The results are summarized in the table 4.13 below

Table 4.13:Financial performance of SMEs operating in the selected sectors of Huye District

SECTOR	CATEGORY OF SME	Growth indicators												Average Growth Rate
		Market share				Sales(in '000 Rwf')				Net profit(in '000 Rwf')				
		2011	2012	2013	Growth rate	2011	2012	2013	Growth rate	2011	2012	2013	Growth rate	
GISHAMVU	Arts & handcraft	25%	25.80%	26.30%	1.69%	25369000	28798000	33152100	9.33%	2878	3153	3670	8.35%	6.46%
	Retail commerce	5.50%	7.10%	9.30%	18.93%	2536900	2879800	3315210	9.33%	3378	3153	3670	2.77%	10.34%
	Service	2.30%	1.70%	3%	9.16%	1283000	1420020	1600500	7.65%	2735	3281	3507	8.55%	8.45%
MARABA	Commerce	12.30%	15.80%	16.30%	**9.74%**	28369000	28798000	33152100	**5.33%**	1378	1813.8	1670	**6.55%**	**7.21%**
	Arts & handcraft	4%	5%	5%	**7.98%**	548700	622001	783051	**12.59%**	6635	6981	6150.6	**-2.47%**	**6.03%**
	Distribution	3%	2.80%	3.10%	**5.98%**	1636900	1879802	2315200	**12.25%**	3008	3303	3920	**9.13%**	**9.12%**
TUMBA	Service	5%	5.20%	6.10%	**6.78%**	193200	205200	253050	**9.41%**	3985	4021.5	4630	**5.08%**	**7.095**
	Retail commerce	33%	27.80%	34.30%	**1.28%**	5636900	6179800	6815210	**6.53%**	2375	2156	2675	**4.00%**	**3.94%**
	Distribution	11.20%	8.90%	13%	**5.04%**	1837000	2120000	2250500	**7.00%**	6335	6471	7905	**7.585%**	**6.545**

District	Sector													
HUYE	Commerce	32%	35.80%	36.30%	**4.25%**	3636900	4379700	4815200	**9.81%**	6335	6155.7	6679	**1.76%**	**5.27%**
	Arts & handcraft	3.70%	3.30%	3.20%	**-4.68%**	2187305	2430500	2850600	**9.23%**	3234	3581	4550	**11.93%**	**5.49%**
	Distribution	16%	15.80%	17.30%	**2.61%**	3515900	4873100	4375600	**7.56%**	3078	3103	3760	**6.83%**	**5.67%**
KINANZI	Retail commerce	26%	28%	34%	**8.71%**	2387000	2430000	2650500	**3.55%**	30316	31680	32315	**2.13%**	**4.80%**
	Manufacturing	18%	17.80%	19.30%	**2.33%**	5636900	5879800	6315210	**3.86%**	8378	9553	9670	**4.85%**	**3.68%**
	Distribution	3%	3.10%	3.60%	**6.20%**	2387000	2410000	2621500	**3.17%**	1235	1281	1350	**2.98%**	**4.12%**
NGOMA	Livestock	6%	6.50%	6.90%	**4.72%**	12369000	14792000	16154100	**9.31%**	2578	2353	2670	**1.16%**	**5.06%**
	Arts & handcraft	10%	11.30%	12%	**6.20%**	8087000	8420005	9650000	**6.07%**	9735	10980	11500	**5.65%**	**5.97%**
	Whole sale trade	4%	4.20%	3.80%	**-1.68%**	95369000	108798000	111238900	**5.26%**	30780	34580	41730	**10.57%**	**4.72%**
	Retail commerce	23%	28%	30.10%	**9.28%**	2687000	27200100	2890500	**2.46%**	9765	12181	12507	**8.51%**	**6.75%**
	Service	18%	18.80%	21.30%	**5.71%**	35369000	38798000	40152100	**4.32%**	5378	6653	6970	**8.93%**	**6.32%**
	Distribution	13%	14%	15.30%	**5.52%**	2087000	2320000	2650000	**8.29%**	4935	6171	6250	**8.11%**	**7.31%**
RUSATIRA	Retail commerce	34%	35.80%	36.30%	**2.18%**	85369030	88978000	101152100	**5.82%**	3678	4150	4675	**8.24%**	**5.41%**
	Arts & handcraft	16.30%	18%	20.10%	**7.16%**	2381000	2410000	2700500	**4.29%**	2735	2986	3196	**5.27%**	**5.57%**
	Distribution	2.80%	3.20%	3.90%	**11.56%**	124350	133250	148300	**6.05%**	1245	1289	1412	**4.24%**	**7.28%**

4.5.1 Market share analysis

The table 4.13 gave the growth details of SMEs according to their categories. It is shown that in terms of market share, the retail commerce in the sector of GISHAMVU has the highest growth rate (18.93%) compared to other retail commerce industries in other selected sectors. In GISHAMVU district, Arts and handcrafts has the growth rate of 1.69% of the market share while services have grown at the rate of 9.16%. In MARABA sector, Arts and handcrafts have grown to 7.98% of the market share, commerce grew at 9.74% and distribution has grown at 5.98% of market share. This high growth of the retail commerce in GISHAMVU is due to the geographical location of the sector where this sector is nearest the border of Burundi and it is a rural area where informal activities are the main source of income.

In TUMBA sector, the services have grown to the rate of 6.78% while distribution and retail commerce has grown at the rate of 5.04% and 1.28% respectively. In HUYE sector, the highest growing industry is commerce with 4.25% growth rate while distribution has 2.61% growth rate and however, arts and handcrafts declined at -4.68%. In KINANZI sector, the rail commerce has grown higher with 8.71% whereas distribution has 6.20% growth rate and distribution has 2.33% growth rate. I these sectors, the commerce and services have high growth rate may be due the fact that it is located near major town of Huye where commerce is the main economic activities and demand or purchasing power is very high and in addition to this tourists and many travelers coming to Huye pass through KINAZI sector.

In NGOMA sector, retail commerce has the highest growth rate of market share of 9.28% followed by arts and handcrafts which have 6.20% growth rate while services and distribution have grown at 5.71% and 5.52% respectively. In RUSATIRA sector, distribution industry has grown at 11.56% and arts and handcrafts industry has grown at 7.16% while the retail commerce industry has the lowest growth rate of 2.18%. In these sectors, commerce, services and distribution are the most growing industries due to geographical local i.e near on the load to Kigali where many people pass and it is near the major Huye town and furthermore it may be due to the fact of high demand and developing area.

From the point of view of the market share from the data above, the researcher can conclude that SMEs, as classified in their corresponding categories, in HUYE district have grown with a high standard deviation.

4.5.2 Sales analysis

In GISHAMVU district, arts& handcrafts industries and retail commerce have grwn at 9.33% while services have grown at 7.65%. In MARABA sector, arts & handcrafts and distribution industries have grown at 12.59% and 12.25% respectively while commerce has grown at 5.33%. In TUMBA sector, services have grown at 9.4% while retail commerce and distribution have grown at 6.53% and 7.00%. In huye sector, commerce, arts & handcrafts and distribution industries have grown at 7.56%, 9.23% and 9.81% growth rate respectively.

In KINAZI sector, retail commerce, manufacturing and distribution industries have grown at 3.55%, 3.86% and 3.17% growth rate respectively. In NGOMA sector, the industries which have grown higher are the livestock, distribution and arts & handcrafts with 9.31% , 8.29% and 6.07% growth rate respectively. In RUSATIRA sector and all of these sectors trade to Huye town. This is why arts and handcrafts and distribution industries have grown higher. The retail commerce high growth may be due to the low purchasing power that characterizes rural areas. Distribution and arts & handcrafts industries were the highest growing industries with 11.56% and 7.16% growth rate respectively.This shows that SMEs in HUYE district have grown at a satisfactory level from 2011 to 2013.

4.5.3 Net profit analysis

In GISHAMVU sector, arts & handcrafts and services have grown with respectively 8.55% and 8.35% growth rates. In MARABA sector, commerce, distribution have grown at 6.55% and 9.13% respectively and arts & handcrafts industry has declined at -2.47%. This means that arts and handcrafts industry has grown higher a while distribution declined.

In TUMBA distribution industry has grown at 7.585% while services and retail commerce have respectively 5.08% and 4.00% growth rates. The distribution industry's high growth may be explained by the fact that it is near Huye town where most of commercial products come from the sourounding rural area and there are many developped transport infrastructure. In Huye sector, the most performing industries are arts & handcrafts and distribution with respectively 11.93% and 6.83% growth rates. This high growth of arts and handcrafts industry's high growth is due to the fact that many tourists who come to visit historical sites in Huye buy many arts and handcraft objects. In KINAZI sector the manufacturing industry is the most growing with 4.85% growth rate may be due to the high performance of KINAZI cassava plant. In NGOMA livestock

industry has grown at 1.16%, arts & handcrafts at 5.65% whereas whole trade industry has grown at 10.57%, retail commerce at 8.51% and service has grown at 8.93% while distribution has grown at 8.11%. In RUSATIRA sector, the retail commerce and arts & handcrafts have grown respectively at 8.24% and 5.27% while distribution industry has grown at 4.24%. The net profit results indicate that SMEs in NGOMA sector have performed well than any other SMEs in other selected sectors in all industries.

In Ngoma and Rusatira sectors, performance may be explained by the fact that it is an urbarn and developped areas where Ngoma sector is the sector of Huye town and Rusatira sector is located between Huye town and Nyanza town.

Table 4.14: Analysis of Net profit margin

SECTOR	CATEGORY OF SME	Net profit margin			Annual Average Rate
		2011	2012	2013	
	Arts & handcraft	1%	1%	1%	1%
	commerce	34%	29%	30%	31%
GISHAMVU	Retail	13%	11%	11%	12%
	Service	21%	23%	22%	22%
	Commerce	0%	1%	1%	1%
MARABA	Arts & handcraft	121%	112%	79%	104%
	Distribution	18%	18%	17%	18%
	Service	206%	196%	183%	195%
TUMBA	Retail commerce	4%	3%	4%	4%
	Distribution	34%	31%	35%	33%
	Commerce	17%	14%	14%	15%
HUYE	Arts & handcraft	15%	15%	16%	15%
	Distribution	9%	6%	9%	8%
	Retail commerce	127%	130%	122%	126%
KINAZI	Manufacturing	15%	16%	15%	15%
	Distribution	5%	5%	5%	5%
	Livestock	2%	2%	2%	2%
	Arts & handcraft	12%	13%	12%	12%
NGOMA	Whole sale trade	3%	3%	4%	3%
	Retail commerce	36%	4%	43%	28%
	Service	2%	2%	2%	2%
	Distribution	24%	27%	24%	25%
	Retail commerce	0%	0%	0%	0%
RUSATIRA	Arts & handcraft	11%	12%	12%	12%
	Distribution	100%	97%	95%	97%

From the data in the table 4.14 it is shown that in general services in TUMBA sector performed well with the annual growth rate of 195% followed by those of GISHAMVU sector with 22%. The retail commerce industry has grown higher in KINAZI with 126% followed by that of GISHAMVU sector. Among other industries that performed better, there is arts and handcrafts industry with 104% growth rate in MARABA sector.

4.6. RELATIONSHIP AMONG THE STUDY VARIABLES

This section shows the results that address the research objectives and the nature of the relationship among variables of the study. In trying to ascertain this relationship among the study variables, Pearson Correlation coefficient was used. The Pearson correlation coefficient (r) was employed to establish the relationship between entrepreneurial orientation, strategic orientation, strategic entrepreneurship and performance of small and medium enterprises. The results were presented according to the research objectives.

Table 4.15: Correlation matrix among variables

Correlations

Study variables		1	2	3	4	5	6	7	8	9	10	11	12	13	14
Performance of SMEs (1)	Pearson Correlation	1	.848**	.382**	-.124	-.023	.474**	.338**	-.412**	-.194*	.342**	.657**	.494**	.498**	.654**
Strategic Entrepreneurship (2)	Pearson Correlation	.848**	1	.414**	-.094	-.171*	.367**	.589**	-.216**	-.078	.136	.883**	.474**	.277**	.878**
Entrepreneurial Orientation (3)	Pearson Correlation	.382**	.414**	1	-.028	.595**	.824**	.630**	.247**	.055	.076	.503**	-.173*	-.033	.524**
Strategic Orientation (4)	Pearson Correlation	.124	.094	.028	1	.007	-.031	-.043	.074	-.029	-.164*	-.036	-.138	-.143	-.018
Innovation (5)	Pearson Correlation	.023	-.171*	.595**	.007	1	.500**	-.154	-.074	-.193*	.022	-.040	-.459**	-.057	-.021
Risk taking (6)	Pearson Correlation	.474**	.367**	.824**	-.031	.500**	1	.283**	.010	.072	.396**	.340**	.027	.184*	.359**
Proactiveness (7)	Pearson Correlation	.338**	.589**	.630**	-.043	-.154	.283**	1	.490**	.205*	-.171*	.660**	.057	-.126	.652**
Resource strategy (8)	Pearson Correlation	.412**	-.216**	.247**	.074	-.074	.010	.490**	1	.467**	-.151	-.043	-.269**	-.336**	-.104
Strategic leadership (9)	Pearson Correlation	.194*	-.078	.055	-.029	-.193*	.072	.205*	.467**	1	.278**	.071	-.343**	-.302**	.115
Networking (10)	Pearson Correlation	.342**	.136	.076	-.164*	.022	.396**	-.171*	-.151	.278**	1	-.144	.389**	.611**	-.089

Entrepreneurial culture (11)	Pearson Correlation	.657**	.883**	.503**	-.036	-.040	.340**	.660**	-.043	.071	-.144	1	.063	-.147	.962**
Entrepreneurial leadership (12)	Pearson Correlation	.494**	.474**	-.173*	-.138	-.459**	.027	.057	-.269**	-.343**	.389**	.063	1	.669**	.037
Entrepreneurial mindset (13)	Pearson Correlation	.498**	.277**	-.033	-.143	-.057	.184*	-.126	-.336**	-.302**	.611**	-.147	.669**	1	-.137
Strategic management resources(14)	Pearson Correlation	.654**	.878**	.524**	-.018	-.021	.359**	.652**	-.104	.115	-.089	.962**	.037	-.137	1

Source: Primary data

**. Correlation is significant at the 0.01 level (2-tailed).

**. Correlation is significant at the 0.05 level (2-tailed).

4.6.1. Relationship between entrepreneurial orientation and performance of SMEs

The results in the table 12 above revealed that there was a positive relationship between entrepreneurial orientation and performance of SMEs (r=.382**, p- value< .01). This implies that if all entrepreneurial dimensions are combined into one construct and regressed on the SMEs performance, there will be significant improvement on their business performance. Furthermore, it was noted that the dimensions of entrepreneurial orientation such as innovation (r=.23**, p< .01), risk taking (r= .474**, p< .01) and pro-activeness (r= .338**, p<.01) were all positively related to the performance of SMEs. The analysis of these results shows that SMEs owners who invest financial resources in innovation and also committed to introducing new products and services, are likely to experience increased profit level. In addition, SMEs that encourage new ideas from any workers regardless of their status are expected to increase their sales revenue.

The positive relationship between pro-activeness and performance of SEMEs implies that SMEs owners/managers who take an aggressiveness posture relative to competitors; who recognize and facilitate customers needs well in advance and have an intensive drive towards the achievement of the organizational goals are likely to experience increases sales revenue and subsequently improve profit.

Furthermore, the finding showed positive relationship between risk taking and SMEs performance. This means that SMEs owners/managers who do not shy away from borrowing and/ or committing significant resources ventures in uncertain environment will make greater levels of performance.

4.6.2 Relationship between strategic orientation and performance of SMEs

There was also a need to find out the relationship between strategic orientation and performance of SMEs. The table 12 above revealed a positive relationship between strategic orientation and performance of SMEs (r= .12**, p< .01). Furthermore, it was noted that the dimensions of strategic orientation i.e resource strategy (r= .41**, p< .01), strategic leadership (r= .194**) and networking (r= .342**, p< .01) were all positively related to the performance of SMEs. The implication from this analysis is that if SMEs owners utilize well resources, are strategic leaders and networking appropriately, they will realize a greater level of performance in their businesses.

4.6.3 Relationship between strategic entrepreneurship and performance of SMEs.

The results in the table 12 above also revealed that there was a positive relationship between strategic entrepreneurship and performance of SMEs (r= .848**, p< .01). In addition, it was noted that all dimensions of strategic entrepreneurship such as entrepreneurial culture (r= .657**, p< .01), entrepreneurial leadership (r= .494**, p< .01), entrepreneurial mindset (r= .498**, p< .01) and strategic management resources (r= .654**, p< .01) were all positively related to the performance of SMEs. These results show that in order to achieve high performance, the SMEs owners or managers must invest their physical and psychological resources, emphasize on good interpersonal relations (tactful and diplomatic leadership), pursue all entrepreneurial opportunities and manage effectively SMEs resources (financial and non financial) , they will realize greater levels of performance.

4.6.4 Contribution of entrepreneurial orientation, strategic orientation and strategic entrepreneurship to the performance of SMEs

There was a need to find out the contribution of independents variables to the independent variable of this study. The intention of this analysis was to find out the correlation in terms of magnitude between each independent variable and dependent variable. This correlation was done using multiple regression analysis where performance of SMEs was taken as dependent variable and Entrepreneurial orientation, strategic orientation and strategic entrepreneurship as independent variables. The results are presented in table 16.

Table 4.16: Contribution of entrepreneurial orientation, strategic orientation and strategic entrepreneurship to the performance of SMEs

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1(Constant)	6.850	3.315		2.066	.041
Strategic entrepreneurship	.823	.048	.828	17.206	.000
Entrepreneurial orientation	.028	.035	.039	.806	.0422
Strategic orientation	.029	.029	-.045	1.017	.0311

a. Dependent Variable: Performance of SMEs

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.850^a	.722	.717	2.41265	.722	126.557	3	136	.000

a. Predictors: (Constant), Strategic orientation, Entrepreneurship orientation, Strategic entrepreneurship

b. Dependent Variable: Performance of SMEs

The above table 16a shows that the predictor variables (strategic orientation, entrepreneurial orientation and strategic entrepreneurship) influence the dependent variable by 71.7% (Adjusted R square= 0.717, F= 126.557; p< .001). The most significant predictor of the SMEs performance were strategic entrepreneurship (Beta= .828, t= 17.206, sign= 0.000), entrepreneurial orientation (Beta= .039, t= .806, sign=.042) whereas strategic orientation (Beta= -045, t= 1.017, sign= .0311) was found to be weaker significant predictor of SMEs performance.

Findings in the table 16b also show a positive relationship between strategic entrepreneurship and performance of SMEs. This means that if SMEs owners or managers are strategic

entrepreneurs, they will realize greater high levels of performance and this will increase performance by 0 .823 times.

The analysis further shows that there was a positive relationship between strategic orientation, entrepreneurship orientation and performance of SMEs. Implies that if SMEs owners are strategic oriented and entrepreneurship oriented, they will realize a greater levels of their businesses' performance and these will increase SMEs performance by 0.29 and 0.28 times respectively.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1. INTRODUCTION

This chapter presents a summary, followed by discussion of the results presented in chapter four, conclusions and recommendation arising out of the research findings of the study. The presentation of the discussion follows the order in which the objectives of the study were stated in chapter one. This study has generated several findings which are in line with existing literature and previous research findings.

5.2. SUMMARY

In this study, it was designed to establish the relationship between strategic entrepreneurship and performance of small and medium enterprises in selected sectors of Huye district. Literature on key concepts was reviewed. The study used descriptive survey design particularly descriptive correlational design adopting quantitative approach. A sample of 140 entrepreneurs engaged in SMEs operations was taken for the study using simple random sampling. In the process of data collection, a questionnaire that includes demographic characteristics of respondents and the study variables was designed in a close-ended and likert-scales. After the data has been collected, it was analyzed using simple statistics techniques (tables and percentages) and inferential statistics (correlation and regression analysis). Based on respondents results acquired from the owners/ managers of SMEs, the major findings of this study are summarized as follows:

The findings indicated that female dominated the operations of SMEs in Huye district (58.6%) of findings as opposed to male (41.4%). Majority of respondents (40.7%) are under age category between 35-44 years and their marital status are married (55.0%) and with educational level of secondary education (34.3%).

Majority (36.4%) of SMEs in Huye district have been in existence for a period between 2 and 5 years. 87.1% of SMEs hire between 1-25 employees and a half of them get the monthly income between frs 40000-80000. The commerce sector (30.7%), retail (25.7%) dominates and majority of respondents (80.0%) indicated that their firms were growing. The findings indicated that the majority of the SMEs had not been in existence for more than 10 years while the majority of

respondents (34.2%) revealed that they have not been trained in any formal entrepreneurial training. Analysis of performance indicators of SMEs indicated that SMEs in HUYE district have grown at a satisfactory level from 2011 to 2013.

The first objective of this study sought to find out whether there was relationship between entrepreneurial orientation and SMEs performance. It was found that entrepreneurial orientation and SMEs performance are significantly correlated at 0.382 r-value and these results are significant at 0.01 level of significance. Basing on the calculated r-value (0.382), the researcher concluded that there is a significant relationship between entrepreneurial orientation and performance of SMEs which lead to reject the null hypothesis of there is no significant relationship between entrepreneurial orientation and performance of SMEs. That is SMEs which are innovative, proactive and which are willing to take risk are likely to be more successful than those which are not.

The second objective of this study was to establish the relationship between strategic orientation and SMEs performance. The research findings confirmed that strategic orientation and SMEs performance are significantly correlated at 0.12 r-value and these results are significant at 0.01 level of significance. Basing on the calculated r-value (0.12), the researcher concluded that there is a significant and positive relationship between strategic orientation and performance of SMEs which lead to reject the null hypothesis of there is no significant relationship between strategic orientation and performance of SMEs. This means that strategic orientation dimensions such as resource strategy, strategic leadership and networking are essential for SMEs to enhance their performance and enable them to create and sustain competitive advantage. In addition, improving each of the dimensions will logically lead to an improvement in SMEs performance. And opting these dimensions of strategic entrepreneurship during strategic planning process will ensure growth and survival of these SMEs.

Finally, the third objective of this study was to analyze the relationship between strategic entrepreneurship and SMEs performance. The findings of this study revealed strategic entrepreneurship and performance of SMEs are positively correlated at 0.848 r-value and these results are significant at 0.01 level of significance. Basing on the calculated r-value (0.848), the researcher concluded that there is a significant and positive relationship between strategic

entrepreneurship and SMEs performance. This leads to reject the null hypothesis of there is no significant relationship between strategic entrepreneurship and SMEs performance.

5.3. DISCUSSION OF FINDINGS

5.3.1 Relationship between entrepreneurial orientation and performance of SMEs

The finding of this study showed a positive influence of entrepreneurial orientation on SMEs performance. This means that SMES which are able to come up with new ideas, products, and services, take calculated risks, and are able to continuously monitor customers' needs and preferences as and when they fall due, will be positioned to post positive results in terms of sales, revenues and profits. This finding is in consistency with the studies by Wiklund (2003) which suggested that the effect of entrepreneurial orientation on business performance is strong among small business since they usually foster flexibility and innovation. In addition, these findings are in line with the previous studies of the authors such as Lumpkin and Dess (2001), Wiklund and Shepherd (2005) who postulated a positive relationship between the two variables (Entrepreneurial orientation and SMEs performance).

The significant relationship between entrepreneurial orientation and SMEs performance has been also found among entrepreneurial orientation dimensions such as innovation, risk taking, and pro-activeness and SMEs performance. Thus firms that are innovative, proactive and risk takers are likely to have a significant positive impact on the financial and marketing significance of their business. This finding confirms the previous research which has demonstrated that the existence of entrepreneurial orientation will positively impact on the performance of small businesses (Wiklund, 1999; Zahra, 1991; Elliot & Boshoff, 2005; Wiklund& Shepherd, 2005). In addition, this finding is consistent with the studies of Kreiser et al., (2002) whereby a curvilinear relationship was found between risk taking and performance of SMEs. Similar findings were also found by Fauda (2007) in Canadian ICT Firms, and Yoo (2001) in technology based SMEs in Korea. Thus, it can be concluded that SMEs in Huye district engage in certain level of risk taking to retain existing, to get new customers and to gain market-share for their products.

Innovation was found to be contributing to performance of SMEs in this study. Earlier researchers said an innovative strategic posture is brought to be linked to firm performance because it increases the chance that a firm will realize first mover advantage advantages and

capitalize on emerging market opportunities (Wiklund, 1999). In addition, the research by Hitt and Ireland (2000) that identified innovation among some strategic factors representative of entrepreneurship.

In addition, firms which innovate by coming up with new or modified products ideas, processes, services or technologies will register an increase in their profits, sales and customer satisfaction in their market. This is in line with Ibeh (2004), Mai et al., (2012) who acknowledge that innovation is essential for firm competitiveness in market.

Accordingly, innovative firms are in position to come up with new products, services, ideas and processes that leverage their position in the market subsequently resulting into higher returns in terms of sales and profit.

Correlation results from this study revealed that pro-activeness influences performance of SMEs. This implies that a firm which is determined to overcome competition by introducing new products or services, continuously monitors their customers' needs and preferences as well as competitor tactics and strategies are in better position to register tremendous increase in their sales, profit and to overall competitiveness in the markets.

Moreover, proactive in an entrepreneurial oriented firm promotes the determination and discovery of new market opportunities which in turn, can increase the level of market oriented behavior (Matsuno, Mentzer & Ozsomer, 2002). This is an agreement with the existing literature which acknowledge that proactive firms are better positioned to perform better in their market than the non- proactive ones (Keh et al., 2006), Lumpkin et al., (2011), Sciascia et al., (2006).

5.3.2. Relationship between strategic orientation and performance of SMEs

The analysis of the results of this study indicates a significant positive relationship between Strategic orientation and performance of SMEs. This means that SMEs owners/ managers practiced and utilized their resources strategically were likely to perform much better. Those that highly networked utilized their resources more effectively. This is in line with the results by Hitt et al., (2000) who postulated that networking provides the opportunity to leverage external resources and transfer knowledge. This also concurs with the previous studies examining strategic orientation that pointed specifically to the behaviors associated with the networking

resources strategy, and strategic leadership as being more ingredients of strategic orientation (Hitt and Ireland, 2003).

There was also positive relationship between strategic leadership and performance of SMEs. This confirms the results by Bryant (2004) that found strategic leadership to be a great importance for the fact that entrepreneurs cannot successfully develop new ventures without displaying effective leadership behavior.

5.3.3. Relationship between strategic entrepreneurship and performance of SMEs.

The analysis of the results in this study shows that there was positive relationship between strategic entrepreneurship and SMEs performance. This implies that strategic entrepreneurship enhances SMEs performance and thus SMEs that apply both strategic entrepreneurial and strategic orientation behavior simultaneously will introduce new services, expand geographically and will get a high number of customers. In addition, the SMEs owners/ managers with entrepreneurial mindset oriented will influence the start up current and future plans of their business. This concurs with Ireland et al., (2003) who found that a firm which linearly and sequentially employs an entrepreneurial mindset to identify opportunities manages resources strategically to tackle the opportunities, apply creativity and innovation, and generate a competitive advantage, is operating strategically and entrepreneurially.

The regression model results show that the goodness of fit is satisfactory (Adjusted R Square= .71), implying that entrepreneurial orientation, strategic orientation and strategic entrepreneurship explain 71% of variation in performance of SMEs in the study area. Thus about 29% of the performance among SMEs in the study area remains explained by the variables or factors not studies in this research.

In addition, this regression model shows that the interaction of entrepreneurial orientation, strategic orientation and strategic entrepreneurship pushed the R square so high which implies that if entrepreneurial actions are applied simultaneously with the strategic actions, the performance will certainly increase.

5.4. CONCLUSION

The study conducted among SMEs in Huye district revealed that entrepreneurial orientation, strategic orientation and strategic entrepreneurship are correlated with performance of SMEs. This means that the more SMEs go entrepreneurial, apply strategic orientation and strategic entrepreneurship, the more they improve performance. This is one of the reasons to explain why some SMEs are performing while others either are closing splitting or are poorly performing.

From the analysis, because of strategic entrepreneurship value to SMEs, competing in a competitive global market, the need to develop entrepreneurial capabilities for effective performance in these markets should be a must.

Entrepreneurial orientation should be applied to pursue entrepreneurial opportunities while strategic orientation should be applied to establish a competitive advantage and therefore strategic entrepreneurship is important in dynamic environment market.

In general, all entrepreneurial orientation, strategic orientation and strategic entrepreneurship if simultaneously implemented in new ventures, they would enhance performance, the reason why both new ventures and established SMEs must practice strategic entrepreneurship and integrate entrepreneurial orientation and strategic orientation.

5.5. RECOMMENDATIONS

As far as this study is concerned, the recommendations that arise out include:

- For SMEs owners to remain competitive, they should recognize, pursue and exploit entrepreneurial opportunities in an effort to grow and perform better.

- It highly recommended that the SMEs owners/ managers get at least minimum formal entrepreneurial training to enhance their performance since a big number of respondents in this study indicated that they had no formal entrepreneurial training;

- It imperative for SMEs to create a culture that encourages innovation, risk taking and pro-activeness as well as in their operations. This will go a long way to guarantee success in their ventures.

5.6. AREAS FOR FURTHER RESEARCH

The findings of this study gave certain indications with regard to possible directions for further research thus:

- It could be thus of interest to investigate the specific management style that would foster the development of SMEs' entrepreneurial orientation, strategic orientation and strategic entrepreneurship.

- There is a need for further research to investigate other factors such as economic, legal, human resource and marketing that could affect performance of SMEs in Huye district or in other district of Rwanda.

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APPENDIX I: QUESTIONNAIRE

Dear respondent:

My name is **Kizito MISAGO**. I am a student of Masters of Business Administration of National University of Rwanda. Currently I am carrying out a research on **Strategic Entrepreneurship and Performance of Small and Medium Enterprises in selected Sectors of Huye District**. The questionnaire is intended for research purposes only and your identification will be kept anonymous on your desire. You are hereby assured that the information given will be treated as private and confidential. Please do not write your name anywhere. Thank you for your cooperation.

DEMOGRAPHICS

Sector: ………………………………….

1. Please state your gender/sex

    a) Male   b) Female

2. Which age bracket do you fall in?

Below 25

25-34

35-44

45-54

55-64

65 and above

3. Marital status

i) Married   ii) Single   iii) Widowed   iv) Divorced

4. What is the highest level of education have you achieved

None
Primary school
Secondary school
Vocational school
University

5. How many years has your firm been in business?

0 – 1 year
2 – 5 years
6 – 10 years
11 – 15 years
16 +

6. How many employees does your firm have?

1 - 25
26 – 50
51 – 100
101 – 250
251+

7. What are your annual net sales?

Below Frs 40,000
Frs 40,000–Frs 80 000,
Frs 160, 000–Frs 320, 000
Frs 400, 000–Frs 720, 000
Frs 800, 000 +

8. Generally classify your entreprise

a. Service   b. Retail   c. manufacturing   d. Distribution   f. Agriculture   g. Livestock h. Construction   i. Wholesale Trade   j. Commerce   k. Arts & handcraft   l. Other

9 Which best describe *your firm* in the last three years?

Growing
Stable
Declining

10. How long have you been with the firm?

Below 1 year
2- 4 years
5-7 years
8-10 years
Above 10 years

11 Do you have any formal entrepreneurial training?

Leadership
Marketing
Financial management
Entrepreneurship
Project management
Other (precise)

ENTREPRENEURIAL ORIENTATION

Below are some statements that relate to entrepreneurial orientation in the firm. Please indicate how much do you agree or disagree with each statement. (Tick in the corresponding space.)

Strongly agree	agree	Neutral	disagree	Strongly disagree				
1	2	3	4	5				
A	**Innovation**							
1	The firm stakeholders are involved in generation of new ideas			1	2	3	4	5
2	The firm has introduced new product and entered into new markets over the past three years			1	2	3	4	5
3	We have special discounts from our suppliers compared to our competitors			1	2	3	4	5
4	We have introduced new technology in our services			1	2	3	4	5
5	We have promoted our best employees compared to our competitors			1	2	3	4	5
6	During the last three years we conducted market research to understand competitors perspectives			1	2	3	4	5
B	**Risk taking**			1	2	3	4	5
1	We highly provide our products to customers on credit compared to our competitors			1	2	3	4	5
2	We highly borrow funds to finance our firm activities more than our competitors			1	2	3	4	5

3	Over the last three year, our firm has expended its services in other location	1	2	3	4	5
4	We invest into new product without knowing how it will work	1	2	3	4	5
5	We sometimes take decisions in uncertain time without full information	1	2	3	4	5
	We are not scared to take bold decisions to pursue opportunities	1	2	3	4	5
6	We believe that the business environment of the firm is such that fearless and powerful measures are needed to achieve the firm's objectives	1	2	3	4	5
C	**Proactively**	1	2	3	4	5
1	We usually initiate changes before others do	1	2	3	4	5
2	Our firm actively seeks new opportunities	1	2	3	4	5
3	We anticipate changes and act on them	1	2	3	4	5
4	We actively seek reputation to enable us retain customers	1	2	3	4	5
5	Our firm has followed strategies that allow it to exploit opportunities in its external environment	1	2	3	4	5

STRATEGIC ORIENTATION

Below are some statements that relate to strategic orientation in the firm. Please indicate how much do you agree or disagree with each statement. (Tick in the corresponding space).

Strongly agree	Agree	Neutral	Disagree	Strongly disagree				
1	**2**	**3**	**4**	**5**				
A	**Resource strategy**							
1	As we define firm strategies the major concern is how to best utilize the resources we control	1	2	3	4	5		

2	As we define our strategies we are driven by our perception of opportunities and we are not constrained by the resources at hand	1	2	3	4	5
3	Our fundamental task is to pursue opportunities we perceive as valuable and acquire the resources to exploit them	1	2	3	4	5
4	The resources we have significantly influence our firm strategies	1	2	3	4	5
5	We have capacity to ensure the sustainability of our firm's workforce	1	2	3	4	5
6	Knowing the required resources are available is enough for the firm to begin to pursue opportunities for which they may be needed	1	2	3	4	5
B	**Strategic leadership**					
1	We strongly emphasize adapting freely to changing circumstances without much concern for past practices	1	2	3	4	5
2	Employees are pointed in the right direction to pursue firm's objectives	1	2	3	4	5
3	We gather enough information from a wide network of experts and sources both inside and outside our firm	1	2	3	4	5
4	We communicate stories about success and failure to promote a firm learning	1	2	3	4	5
5	We test multiple hypotheses with others before coming to conclusions	1	2	3	4	5
6	We seek out divergent points of view from employees to see multiple sides of issue	1	2	3	4	5
C	**Networking**	1	2	3	4	5
1	We have strong ties with all the stakeholders in the firm.	1	2	3	4	5
2	We use our relationships with suppliers and bankers to gain access to resources	1	2	3	4	5
3	We have capacity to learn from our competitors aiming at making difference.	1	2	3	4	5
4	We prefer joining social networks or supportive groups and places where skilled people congregate.	1	2	3	4	5
5	We use our relationships with our stakeholders to market ourselves	1	2	3	4	5
6	We appropriately use our personal relationships to transform the personal network into an effective tool for achieving good performance.	1	2	3	4	5

7	We strongly think of every networking meeting as our marketing forum	1	2	3	4	5
8	We emphasize direct business relationships with our customers and suppliers	1	2	3	4	5

STRATEGIC ENTREPRENEURSHIP

Below are some statements that relate to strategic entrepreneurship in the firm. Please indicate how much do you agree or disagree with each statement? (Tick in the corresponding space.)

Strongly agree	Agree	Neutral	Disagree	Strongly disagree				
1	2	3	4	5				
A	**Entrepreneurial culture**							
1	We strongly invest our physical and psychological resources in our firm	1	2	3	4	5
2	We highly relate individual and collective initiatives in our firm compared to competitors	1	2	3	4	5
3	We focus on determination and perseverance while undertaking the firm's activities	1	2	3	4	5
4	We friendly handle conflicts among our colleagues	1	2	3	4	5
5	We are tolerant and patient towards employees shortcomings	1	2	3	4	5
B	**Entrepreneurial leadership**	1	2	3	4	5
1	As a owner manager I emphasize good interpersonal relations, tactful and diplomatic leadership	1	2	3	4	5
2	My leadership is able to influence and win other points of view	1	2	3	4	5
3	We strongly emphasize giving courage, confidence and hope through reassuring and advising	1	2	3	4	5
C	**Entrepreneurial mindset**	1	2	3	4	5
1	We passionately pursue entrepreneurial opportunities	1	2	3	4	5

2	We strongly emphasize the disciplined pursuit of the most promising opportunities	1	2	3	4	5
3	We usually have consistent focus on execution	1	2	3	4	5
4	We have a commitment to engage everyone in identifying and pursuing entrepreneurial opportunities	1	2	3	4	5
D	**Strategic management resources**	1	2	3	4	5
1	We usually focus on the firm human resources that can be used to protect a competitive advantage	1	2	3	4	5
2	Our resources are effectively managed so that they foster simultaneous use of opportunity and advantage seeking behaviors	1	2	3	4	5
3	We have abilities to allocate the resource into different businesses	1	2	3	4	5
4	We encourage tactical, gradual processes of acquiring, accumulating and divesting resources in various business	1	2	3	4	5

PERFORMANCE OF THE SMALL AND MEDIUM ENTERPRISE

Below are some statements that relate to performance of the firm. Please estimate your business's performance (on average) by marking the appropriate number in each row:

Strongly agree	Agree	Neutral	disagree	Strongly disagree			
1	2	3	4	5			
Sales growth							
1	Our sales volume have increased since three years	1	2	3	4	5	
2	Our customers have increased on their purchasing volumes	1	2	3	4	5	
3	We are satisfied that the overall profit levels achieved by our Business	1	2	3	4	5	
4	We are satisfied that the profit margins achieved by our business	1	2	3	4	5	
5	In our business, the return on investment is much better than last three years	1	2	3	4	5	
6	In our business, the overall turnover is much better than last year	1	2	3	4	5	
Market share							
7	Our market share is much better than last three years	1	2	3	4	5	
	Our company has the ability to respond to new products, new markets, or new competitors in the market.	1	2	3	4	5	
8	Our business reputation is better than that of our Competitors	1	2	3	4	5	
9	Our company has the ability to respond to periods of poor supplier performance	1	2	3	4	5	
Profitability							
10	We are satisfied that the overall profit levels achieved by our business	1	2	3	4	5	
11	We are satisfied that the profit margins achieved by our business	1	2	3	4	5	
12	The revenue has grown due to increase of sales	1	2	3	4	5	

13	Our firm has been able to generate adequate cash flows as it conducts its normal operations	1	2	3	4	5

REPUBLIC OF RWANDA

SOUTHERN PROVINVE
HUYE DISTRICT
B.P. 35 BUTARE

Ref. JADF

Huye, 12, December, 2013

N°4225/02.04

TO: Kizito MISAGO
   UNIVERSITY OF RWANDA

RE: AUTHORIZATION TO CONDUCT MBA RESEARCH IN HUYE DISTRICT

Dear Sir,

With reference to your request for research opportunity in our organization, I have the pleasure to announce that you are permitted to conduct your research for final dissertation in selected sectors of our District.

This research must be for academic purposes only.

Thank you and we look forward to your continued collaboration.

Yours sincerely

NSHIMIYIMANA Védaste
The Executive Secretary of Huye District

CC.:Dean of the Faculty of Economics and Management